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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED ORIGINAL

Improvements Needed In The Nuclear Regulatory Commission's Office Of Inspector And Auditor

SUMMARY

To help the Nuclear Regulatory Commission (NRC) carry out its responsibilities, a special office of Inspector and Auditor was created in April 1975 to independently review and appraise all NRC operations. This office, in essence, was to provide the Commissioners with oversight over NRC programs and activities and recommend corrective actions.

GAO found that the Office of Inspector and Auditor has not been using proven management techniques in scheduling and carrying out its work. These techniques range from systematic planning and prioritization to timely and consistent follow-up on work. If such techniques were used, it would result in a more orderly management approach and lead to higher quality reports and better use of staff resources.

The independence of the Office of Inspector and Auditor needs to be strengthened. In GAO's view, this only may be possible if NRC accepts and implements the recommendations contained in this report. GAO also suggests that Congress consider establishing a statutory Inspector General office at the NRC. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within the Commission and enhance public trust in the regulation of commercial nuclear power.

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

IMPROVEMENTS NEEDED IN THE NUCLEAR REGULATORY COMMISSION'S OFFICE OF INSPECTOR AND AUDITOR

D I G E S T

The Nuclear Regulatory Commission (NRC) is responsible for regulating the commercial use of nuclear power in the United States with the goal of preserving public health and safety and protecting the environment. To help NRC carry out its responsibilities, an Office of Inspector and Auditor (OIA) was created in April 1975 to provide the Commissioners with oversight over NRC programs and activities, and recommendations for corrective actions. (See p. 1.)

COMPARISON OF OIA WITH AN INSPECTOR GENERAL OFFICE

Although NRC was not included in the Inspector General Act of 1978, GAO believes that internal audit offices, such as OIA, should abide by the spirit of the act. OIA is supposed to eliminate waste, fraud, and inefficiency within NRC by functioning in an independent audit capacity. Independence, in this case, should mean freedom from any vested interests to report problems directly to the head of the agency.

OIA is organizationally very similar to an Inspector General office. It has Commission-level stature within NRC and serves as the single focal point for both internal audits and investigations. Additionally, OIA has been given a sufficient degree of latitude to carry out its mission.

Unlike an inspector general, however, the director of OIA is not appointed by the President and confirmed by the Senate. Also, OIA does not report periodically to the Congress on its activities or the problems, abuses, and deficiencies in NRC programs. Instead, the director of OIA is appointed by the Commissioners and OIA's reports are internal management documents that are not generally released outside of NRC. OIA has, however, on occasion provided some of its audit and

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investigative reports to Senators and Congressmen who have requested them. (See p. 2.)

OPPORTUNITIES TO IMPROVE THE MANAGEMENT OF OIA

To be effective, any audit organization must have (1) a capable, professional, and motivated staff, (2) an adequate planning and prioritization system, (3) a set of policies, procedures, and mechanisms for guiding and monitoring the staff, and (4) a system for following up on past work. Weaknesses in any one of these areas contribute to work which can be less than satisfactory in quality, timeliness, and impact. Such weaknesses presently exist in OIA's operations.

OIA has not followed Office of Management and Budget requirements and GAO guidance in planning and prioritizing its work. As a result, OIA has focused too much of its attention on administrative and personnel matters rather than on the more important NRC programs and has not concentrated its investigative resources on work aimed at eliminating fraud and waste within NRC. Rather, OIA investigators told us they devote a large portion of their time to evaluating non-appropriate employee complaints and equal employment opportunity allegations. While these are important areas, GAO believes that these two areas should be assigned to some other NRC office to allow the investigative staff to better use its experience to pursue fraud and waste cases. Further, OIA should avoid assigning auditors to investigative work and provide for more effective coordination between the audit and investigative staffs in identifying possible assignments. (See pp. 5 to 13.)

Control over assignments also needs to be improved which, in turn, will increase the efficiency and productivity of the OIA staff. OIA does not have its own audit or investigative manual setting forth policies, procedures, and guidelines for carrying out its work, even though it said, in 1975, that its immediate plans include the development of such a manual. As a result, audit and investigative reports lack consistency, and investigative reports are issued with no conclusions or recommendations. (See pp. 14 to 16.)

In addition, a formal system for monitoring the progress of assignments is needed. When OIA initiates audit assignments, there are no staffday requirements or milestones for completing the work. Job reviews and staff meetings also have not been held. Thus, top management does not have a good basis for monitoring job progress, for making any necessary changes to the scope and direction of an assignment, and for holding staff accountable for completing its work in a timely manner. (See pp. 16 to 18.)

Reporting a finding, observation, or recommendation should not end OIA's concern with a matter. GAO found that OIA needs to establish a time frame for following up on its audit reports. Further, it needs to see to it that office directors respond in writing to OIA investigative reports as required by NRC regulations. (See pp. 18 and 19.)

Implementation of these management techniques will, in GAO's view, result in a more orderly management approach and lead to higher quality reports and a better use of staff resources. Additionally, OIA will have a greater impact on important NRC programs and key management decisions.

During the review, OIA management said that it does not need to implement these formal management techniques because of its small number of staff. GAO believes, on the other hand, that OIA's limited resources and heavy workload make it even more important to properly plan, prioritize, and control audit activities. In GAO's view, this is the best way to ensure that the right work is being done at the right time.

Recommendations to the Chairman, Nuclear Regulatory Commission

To improve OIA's effectiveness, GAO recommends that the Chairman, NRC, require the Director of that office to

--develop a systematic planning and prioritization process for both audit and investigative work which complies with Office of Management and Budget criteria and GAO guidance;

--concentrate its investigative resources on work aimed at eliminating fraud and waste within NRC;

--avoid assigning auditors to investigative work;

--establish a process of coordination between the audit and investigative groups in identifying possible assignments, and clearly communicate that process to the OIA staff;

--develop formal guidance for the staff to follow in carrying out its work;

--institute a formalized system of control over assignments where milestones and staff resources are established for completing critical steps and periodic job reviews are held to evaluate the status of assignments; and

--establish and adhere to requirements regarding the follow up on audit reports and see to it that office directors respond in writing to OIA investigative reports.

In addition, GAO recommends that the Chairman, NRC, explore the possibility of assigning non-appropriate employee complaint cases and equal employment opportunity allegations to some other NRC office. This will allow the OIA investigative staff to give greater attention to eliminating fraud and waste within NRC. (See p. 21.)

In commenting on GAO's draft report, NRC expressed general agreement with these recommendations. There were, however, two exceptions. NRC objected to GAO's recommendations that it avoid assigning auditors to investigative work--saying that it has not done so recently--and that the Chairman, NRC, explore the possibility of assigning employee complaint cases and equal employment opportunity allegations to some other NRC office--saying that it handles so little of this work.

After a careful review of the material provided in support of NRC's objections to these recommendations, however, GAO continues to believe these recommendations have merit. Regarding the first recommendation, GAO updated the information in the report to show that, while improvements have been made, the balance between audits and investigations could be further improved to more accurately reflect the mix of OIA auditors to investigators.

Concerning the second recommendation on employee complaint cases and equal employment opportunity allegations, GAO was unable to determine the amount of time spent on these two areas because such records are not maintained. However, the OIA investigators told GAO that these two areas consume a large portion of their time. Although both areas are important, GAO believes neither makes maximum use of the 5 OIA investigators' background and experience. By assigning such work to some other NRC office, it could allow equal emphasis to be given to these two areas and allow OIA's small investigative staff to pursue more appropriate work, namely, combating fraud and waste. (See pp. 21 and 22).

OIA'S INDEPENDENCE NEEDS TO BE STRENGTHENED

Organizationally, OIA is independent but functionally GAO has found examples where OIA's independence needs to be strengthened. The problem centers around how OIA develops and processes reports on its work. "Preliminary" drafts on its audits are routinely sent to NRC program offices to reach agreement before the official draft is forwarded for comment. This has placed the OIA staff in an awkward position because OIA has been reluctant to issue reports when a program office is in disagreement with the report. Because these activities occur before the final report is sent to the Commission, the Commissioners are not fully aware of the situation nor are they getting completely objective appraisals of NRC's programs or activities. (See pp. 24 to 27.)

GAO found certain instances where findings, conclusions, and/or recommendations were revised or deleted primarily because NRC program officials disagreed. Also, GAO discovered that OIA routinely allows the program office to exceed deadlines for commenting on its reports particularly if a disagreement or a misunderstanding exists. Further, GAO found other instances where OIA reviewed and approved the program office's comments before accepting and including them in its reports. Lastly, GAO noted several instances where OIA supplied staff to work on investigations with other program offices. Two of these investigations were signifi-

cant--the Three Mile Island accident and the South Texas Nuclear Project. These investigations created a possible conflict of interest for OIA's staff because the office OIA was working with could have been at fault. (See pp. 27 to 30.)

The preceding points, when taken collectively, raise the issue of greater independence at OIA. This, in GAO's view, only may be possible if NRC accepts and implements the recommendations contained in this report. GAO also considered the option of Congress establishing a statutory Office of Inspector General at NRC. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within NRC and might enhance public trust in the regulation of commercial nuclear power. Also, because of the accident at Three Mile Island, the public has an increased desire for visibility regarding NRC activities. (See pp. 30 to 32.)

Recommendations to the Chairman, Nuclear Regulatory Commission

GAO recommends that the Chairman, NRC

--initiate immediate action to establish a more formal process for seeking agency officials' comments on OIA draft reports. Any exception to this formal process--such as the use of an informal draft to obtain comments--should be clearly disclosed in the final report.

--direct OIA to issue its reports if program offices are untimely in providing their comments and require OIA to reflect in its reports any changes made based on program office comments.

--discontinue the practice of OIA conducting joint investigations with other NRC offices.

In commenting on our draft report, NRC expressed general disagreement with two of these three recommendations. Specifically, NRC disagreed with our recommendation that it discontinue the

procedure of sending informal draft reports to agency officials for comment on the grounds that GAO had not supported the finding that such a process has compromised OIA's independence. Also, NRC disagreed with our recommendation that OIA discontinue the practice of conducting joint investigations with other NRC offices by denying that OIA has conducted joint investigations.

In each case, NRC does not so much dispute the recommendation as it questions whether the information presented in the report justifies the recommendation. For both cases, GAO believes sufficient information is presented in the report to support its position. (See p. 34.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of the critical importance of effective and efficient regulation to the future of commercial nuclear activities, Congress should consider establishing an Office of Inspector General at NRC.

In commenting on this, each of the four Commissioners expressed to GAO their reservations about creating an Inspector General office at NRC. Their reservations, it seemed to GAO, stemmed from a desire to retain the OIA office as a necessary management extension of themselves in overseeing the programs and activities of NRC. This, GAO believes, is an understandable position. However, this same position could be used to argue against the creation of an Inspector General office at any agency.

More to the point, the establishment of an Inspector General office at NRC must be based on two factors--the relative independence exhibited by OIA and the nature of NRC's mission. In the aftermath of the Three Mile Island accident, such an office might improve oversight and help ease concerns over the relative safety of commercial nuclear power. (See pp. 34 and 35.)

Tear Sheet

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ABBREVIATIONS

GAO	General Accounting Office
NRC	Nuclear Regulatory Commission
OIA	Office of Inspector and Auditor
OMB	Office of Management and Budget